

The AGRICULTURAL OUTLOOK DIGEST

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The outlook for farmers' prices and incomes this year is governed mainly by prospects that

- U. S. demand for food this year will be as strong, or stronger than in 1954.
- Exports will be as high and perhaps much higher.
- Farm production will be at near-record levels and stocks will be heavy.

Consumer income after taxes so far this year has been running 3% above the same period of 1954. About a fourth continues to be spent for food. But a little less of the consumer's food dollar is going to the farmer ... 42 cents in the first quarter compared with 45 cents a year earlier.

The business outlook indicates consumer income will continue above 1954, assuring a good market for food and other products. Government spending for defense is not likely to decline further. Businessmen may add to inventories in the months ahead and they are increasing investments in plant and equipment after reducing them for more than a year. Economic activity is likely to continue high, even though output of autos and houses may slip later in 1955.

Agricultural exports have increased further this year, after showing a 7% gain in 1954 over 1953. More wheat, cotton, tobacco and soybeans were shipped abroad through March than in the same period last year. Special U. S. government programs, better economic conditions abroad, more dollars in foreign hands are main reasons for the gain.

Large supplies probably will again prevent the strong demand from raising the farm price level. Output may total nearly as large as last year. Livestock production will be about the same with less poultry and eggs and more hogs. Crop production is not likely to change much if weather is average. Land taken out of cotton and wheat will go into soybeans, feed grains and pasture.

Heavy stocks swell the total supply. Carryovers of wheat, corn, cotton, rice, minor feed grains and some oil crops will be at or near the peaks. Much of this is held by CCC.

This review indicates that prices received by farmers are likely to stay close to current levels through most of 1955. Prices have been fairly stable since last fall and so far this year have averaged 2% below the level for all of 1954.

With prices a little lower and marketings nearly as large, cash receipts from the sale of farm products are expected to be lower than in 1954. Wheat receipts will be down since acreage has been reduced and the support level is a little lower. 1955 allotments call for a smaller cotton acreage. Hog prices are well below last year. On the other hand, cash receipts may be up for broilers, eggs and oil crops and be maintained for most other products.

Farm production costs probably will be down a little this year. Most of the decline will be in feed and rental payments. The cost reduction is not likely to be enough to offset the drop in gross. The net income realized by farm operators probably will be down from 1954, perhaps by 5%.

LIVESTOCK: Cattle slaughter the rest of the year probably will be at about the 1954 rate...a little lower in the summer...higher in the fall. Aside from seasonal changes, prices, are expected to be at about last year's levels.

Hog slaughter will stay above a year earlier through 1955, but the rate of expansion is slowing down. Recent report for 6 Corn Belt States shows most of increase over year earlier in this spring's pig crop came in December, January, and February. This points to heavy early marketings and an early seasonal price decline this fall.

DAIRY PRODUCTS: About the same milk production as last year, higher consumption and a smaller surplus than in the last 2 years are in prospect. Prices will hold at about the levels of last year. However, dairy farmers will sell more for use as fluid milk which yields a higher return than manufacturing milk.

EGGS AND POULTRY: Beginning in late summer, egg production will be affected by the sharp drop in laying flock replacement early this year. Twenty-eight percent fewer chicks were on farms April 1 than a year earlier.

Prospects are good for a substantial seasonal egg price rise this year. In 1954, for the first time, egg prices failed to rise from spring to fall.

Present indications are for reduced output of light-weight turkeys. But hatch of heavy breed poult points to possibility of greater production than in 1954.

FEEDS: The total supply of feed concentrates for 1955-56 may rise a little above last year's peak of 181 million tons. This forecast is based on farmer's acreage plans as reported in March.

Corn in the commercial area will be supported at not less than \$1.58 per bushel, 87% of the February parity. Acreage indications point to rather extensive over-planting of allotments again this year. Supports for other feed grains will be about a fifth lower than last year.

WHEAT: Chances are good that the billion-bushel wheat surplus will be reduced some by the end of the 1955-56 marketing year. The April crop report forecast winter wheat production at 662 bushels. If farmers plant the acreage to spring wheat they intended in March and yields are average, 177 million bushels would be produced. This adds to a total crop of 839 million. Domestic use and exports are likely to total around 900 million bushels.

FRUIT: Strong demand for fruit is expected from consumers this spring and summer. Demand from processors is likely to be at least as strong as last year since carryover of canned deciduous fruits at the start of the new pack season will be no larger.

The March freeze reduced prospects for early peaches, apples and April strawberries. Grower prices for early deciduous fruits probably will average higher in late spring and early summer than a year earlier.

VEGETABLES: Cold weather in March severely damaged some vegetable crops...delayed growth of others. Marketings may be lighter than usual early this spring...heavier later on. Sharply fluctuating prices are possible.

COTTON: A little less than 9 million bales of cotton is expected to be used by U. S. mills this year. This figure is based on consumption the first 7 months of 1954-55 and assumes normal seasonal changes the other 5 months. Last year, 8.6 million bales were consumed. Exports in 1954-55 are estimated at 4-1/4 million bales.

WOOL: Prices to growers will be supported by payments this year. The support level has been set at a national average of 62¢ per pound, 106% of the Sept. 15, 1954 parity.

TOBACCO: Burley growers will vote April 28 on the new acreage allotment. Under the new law, the 1955 acreage allotment has been refigured. It is now 20% below the 1954 allotment.

Supplies of flue-cured are up 3-1/2% and Burley 8% from 1953-54. Supplies of most other kinds, except cigar filler and binder, also are larger.